

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Northwest Michigan Council of Governments	County Grand Traverse
Fiscal Year End September 30, 2006	Opinion Date February 1, 2007	Date Audit Report Submitted to State May 7, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

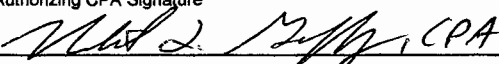
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	There was no need for a letter of comments and recommendations.	
Other (Describe)	<input checked="" type="checkbox"/>	Includes Single Audit reports.	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (248) 844-2550	
Street Address 745 Barclay Circle, Suite 335		City Rochester Hills	State MI
Zip 48307			
Authorizing CPA Signature 	Printed Name Michael T. Gaffney, CPA	License Number 16288	

**Northwest Michigan Council
of Governments
Traverse City, Michigan**

FINANCIAL STATEMENTS

September 30, 2006

Northwest Michigan Council of Governments

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Michigan Council of Governments
Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Michigan Council of Governments as of and for the year ended September 30, 2006, which collectively comprise the Northwest Michigan Council of Governments' basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Northwest Michigan Council of Governments as of September 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2007, on our consideration of the Northwest Michigan Council of Governments' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 1, 2007

Management's Discussion and Analysis For Fiscal Year Ended September 30, 2006

The Northwest Michigan Council of Governments is in its fourth year of implementing the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Council's financial performance during the year ending September 30, 2006, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Council's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

Financial Highlights

- The assets of the Council exceeded its liabilities at September 30, 2006, by \$982,028 at the entity-wide level. Of this amount, \$776,065 (unrestricted net assets) may be used to meet the Council's ongoing obligations.
- The Council's total net assets decreased \$224,413 as a result of this period's operations.
- As of September 30, 2006, the Council's governmental fund reported an ending fund balance of \$1,033,781, a decrease of \$68,496.
- As of September 30, 2006, the designated fund balance was \$233,288. The unreserved and undesignated fund balance was \$800,493.

Overview of the Financial Statements

The Northwest Michigan Council of Governments' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements provide information about the activities of the entire Council. They present an overall view of the Council's finances, reporting the assets and liabilities for the year ending September 30, 2006.

The statement of net assets present information on all of the Northwest Michigan Council of Governments' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the year ending September 30, 2006. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

The Northwest Michigan Council of Governments' offices are supported by governmental grants, donations, fees, rents, interest, and contributions. The governmental activities of the Council are all considered employment and training or planning programs. The Council does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the Northwest Michigan Council of Governments.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northwest Michigan Council of Governments uses fund accounting to ensure and demonstrate compliance with program requirements. The Council operates with fifty-nine funds, which are considered governmental funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 3-8 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-18 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning the activities of non-major governmental funds on pages 19-42. Other supplementary information concerning expenditures of federal awards can be found on pages 43-53 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Northwest Michigan Council of Governments, assets exceeded liabilities by \$982,028. The following table compares net assets data for 2006 to net assets data for the prior year, 2005.

	<u>2005</u>	<u>2006</u>	<u>Change 2005-2006</u>
Current assets	\$ 908,670	\$ 766,957	\$(141,713)
Noncurrent assets	1,443,825	1,367,905	(75,920)
Capital assets	<u>338,414</u>	<u>214,148</u>	<u>(124,266)</u>
Total assets	2,690,909	2,349,010	(341,899)
Current liabilities	841,927	816,136	(25,791)
Noncurrent liabilities	<u>642,541</u>	<u>550,846</u>	<u>(91,695)</u>
Total liabilities	<u>1,484,468</u>	<u>1,366,982</u>	<u>(117,486)</u>
Net assets			
Invested in capital assets	324,091	205,963	(118,128)
Unrestricted	<u>882,350</u>	<u>776,065</u>	<u>(106,285)</u>
Total net assets	<u>\$ 1,206,441</u>	<u>\$ 982,028</u>	<u>\$(224,413)</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) decreased by \$106,285. This represents a decrease of approximately 12 percent. The current level of unrestricted net assets for our governmental activities stands at \$776,065, or approximately 8.1 percent of annual expenditures. This is within our desired range.

The following table compares the changes in net assets for the year ended September 30, 2006 to changes in net assets for the year ended September 30, 2005.

	<u>2005</u>	<u>2006</u>
Program revenues		
Operating grants and other/contributions	\$ 8,658,218	\$ 8,708,242
Charges for Services	707,500	642,610
General revenue		
Interest	40,181	44,181
Gain / (Loss) on Investments	(11,313)	6,014
Other	<u>72,243</u>	<u>-</u>
Total revenues	9,466,982	9,401,047
Program Expenses	<u>9,415,874</u>	<u>9,625,460</u>
Change in net assets	<u>\$ 50,955</u>	<u>\$(224,413)</u>

Financial Analysis of the Government's Funds

As noted earlier, the Northwest Michigan Council of Governments uses fund accounting to ensure and demonstrate compliance with program requirements.

Governmental Funds: The focus of the Northwest Michigan Council of Governments' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Northwest Michigan Council of Governments' financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2006, the governmental funds reported an ending fund balance of \$1,033,781; a decrease of \$68,496 from the prior year. Of this total, \$233,288 has been designated for vacation and personal leave. The unreserved and undesignated fund balance at September 30, 2006 was \$800,493.

As a measure of the governmental fund's liquidity, it may be useful to compare total fund balance and unreserved-undesignated fund balance to total fund expenditures. Total fund balance for 2006 represents approximately 10.7 percent of total fund expenditures, while unreserved-undesignated fund balance represents approximately 8.3 percent of total expenditures.

Capital Asset and Debt Administration

Capital Assets: The Northwest Michigan Council of Governments' investment in capital assets as of September 30, 2006, amounts to \$214,148 (net of accumulated depreciation).

Long-term Obligations: The Northwest Michigan Council of Governments executed a loan agreement to finance a prepaid building lease in 1994. The Council executed a loan agreement to purchase an automobile in February 2003. As of September 30, 2006, the balance of the loans was \$404,016, a decrease of \$(89,349) from a year ago. The Council also has a long-term obligation related to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at September 30, 2005 was \$232,743, and at September 30, 2006 was \$233,288.

Economic Factors

From FY 05 to FY 06, the Northwest Michigan Council of Governments (NWMCOG) experienced a 3.7% increase in grant funding primarily due to the addition of the new Michigan Prisoner Re-Entry Initiative (MPRI) grant from the Michigan Department of Corrections. Rather than fund existing NWMCOG programs, the MPRI grant represents implementation of an entirely new program designed to reduce the recidivism rate of parolees from State prisons.

Requests for Information

This financial report is designed to provide a general overview of the Northwest Michigan Council of Governments' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Northwest Michigan Council of Governments located at 2194 Dendrinos Drive, Traverse City, Michigan, or, mailing address of P.O. Box 506, Traverse City, Michigan 49685-0506.

BASIC FINANCIAL STATEMENTS

Northwest Michigan Council of Governments

Statement of Net Assets

September 30, 2006

Assets

Current Assets

Cash

Petty Cash

\$ 2,600

Cash & Cash Equivalents

202,851

Accounts Receivable

TBAISD

59,538

State of Michigan

465,933

Other

36,035

Total Current Assets

766,957

Non-current Assets

Investments

996,502

Prepaid Lease - Net

371,403

Capital Assets - Net

214,148

Total Non-current Assets

1,582,053

Total Assets

\$ 2,349,010

Liabilities

Current Liabilities

Accounts Payable

NWMPIC

\$ 46,127

TBAISD

79,157

State of Michigan

256,784

Other

308,550

Accrued wages

39,060

Notes Payable - Current Portion

86,458

Total Current Liabilities

816,136

Non-current Liabilities

Accrued Vacation & Sick Leave

233,288

Notes Payable - Non-current Portion

317,558

Total Non-current Liabilities

550,846

Total Liabilities

1,366,982

Net Assets

Invested in Capital Assets - Net of Related Debt

205,963

Unrestricted

776,065

Total Net Assets

982,028

Total Net Assets and Liabilities

\$ 2,349,010

Northwest Michigan Council of Governments

Statement of Activities

September 30, 2006

Expenses

Administration	\$ 700,287
Training	1,141,300
Services	5,859,637
Intensive	321,488
Core Services	1,184,181
Procurement	150,000
Interest on Long-term Debt	11,162
Amortization of Prepaid Lease	120,456
Unallocated Depreciation	136,949

Total Expenses 9,625,460

Program Revenues

Grants	8,235,260
Rents	642,610
Other	472,982

Total Program Revenues 9,350,852

Net Program Revenues (274,608)

General Revenues

Interest Earnings	44,181
Gains (Losses) on Investments	6,014

Total General Revenues 50,195

Change in Net Assets (224,413)

Net Assets, Beginning of Period 1,206,441

Net Assets, End of Period \$ 982,028

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2006

	General	WF TANF	WIA Adult 05/06	WIA DW 05/06
<u>Assets</u>				
Cash				
Petty Cash	\$ 200	\$ -	\$ -	\$ -
Cash and Cash Equivalents	(17,745)	(45,250)	68,266	88,073
Accounts Receivable				
TBAISD	-	-	1	-
State of Michigan	-	62,141	-	-
Other	630	-	-	-
Investments	996,502	-	-	-
Total Assets	<u>\$ 979,587</u>	<u>\$ 16,891</u>	<u>\$ 68,267</u>	<u>\$ 88,073</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
NWMPIC	\$ 46,127	\$ -	\$ -	\$ -
TBAISD	-	16,891	-	-
State of Michigan	-	-	68,267	88,073
Other	26,393	-	-	-
Accrued wages	39,060	-	-	-
Total Liabilities	111,580	16,891	68,267	88,073
Fund Balance				
Unreserved				
Designated for Accrued Vacation & Sick Leave	233,288	-	-	-
Undesignated, Reported in:				
General Fund	634,719	-	-	-
Special Revenue Funds	-	-	-	-
Total Fund Balances	<u>868,007</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balances	<u>\$ 979,587</u>	<u>\$ 16,891</u>	<u>\$ 68,267</u>	<u>\$ 88,073</u>

WIA Youth 05/06	MPRI	Community Corrections	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,400	\$ 2,600
19	47,471	43,911	18,106	202,851
-	-	-	59,537	59,538
-	60,508	38,682	304,602	465,933
-	-	3,763	31,642	36,035
-	-	-	-	996,502
<u>\$ 19</u>	<u>\$ 107,979</u>	<u>\$ 86,356</u>	<u>\$ 416,287</u>	<u>\$ 1,763,459</u>
\$ -	\$ -	\$ -	\$ -	\$ 46,127
-	-	-	62,266	79,157
19	-	-	100,425	256,784
-	107,979	86,356	87,822	308,550
-	-	-	-	39,060
19	107,979	86,356	250,513	729,678
-	-	-	-	233,288
-	-	-	-	634,719
-	-	-	165,774	165,774
-0-	-0-	-0-	165,774	1,033,781
<u>\$ 19</u>	<u>\$ 107,979</u>	<u>\$ 86,356</u>	<u>\$ 416,287</u>	<u>\$ 1,763,459</u>

Northwest Michigan Council of Governments

Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets

September 30, 2006

Total fund balance - governmental funds

\$ 1,033,781

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 711,976	
Accumulated depreciation is	<u>(497,828)</u>	214,148

Prepaid lease that is being amortized over the life of the lease.

The cost of the prepaid lease is	1,806,825	
Accumulated amortization of prepaid lease is	<u>(1,435,422)</u>	371,403

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Notes payable	(395,831)	
Auto loan	(8,185)	
Compensated absences	<u>(233,288)</u>	(637,304)

Net assets of governmental activities

\$ 982,028

See accompanying notes to financial statements.

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2006

	<u>General</u>	<u>WF TANF</u>	<u>WIA Adult 05/06</u>	<u>WIA DW 05/06</u>
<u>Revenues</u>				
Grants	\$ -	\$ 1,235,316	\$ 714,841	\$ 1,108,518
Interest Earned	43,246	-	-	-
Gains (Losses) on Investments	6,014	-	-	-
Rents	642,610	-	-	-
Other	149,813	-	-	-
	<u>841,683</u>	<u>1,235,316</u>	<u>714,841</u>	<u>1,108,518</u>
Total Revenues	841,683	1,235,316	714,841	1,108,518
<u>Expenditures</u>				
Administration	-	122,163	-	-
Training	-	-	387,807	322,715
Services	915,144	1,113,153	-	-
Intensive	-	-	70,993	157,985
Core Services	-	-	256,041	627,818
Procurement	-	-	-	-
Debt Service	100,512	-	-	-
	<u>1,015,656</u>	<u>1,235,316</u>	<u>714,841</u>	<u>1,108,518</u>
Total Expenditures	1,015,656	1,235,316	714,841	1,108,518
Excess of Revenues Over (Under) Expenditures	(173,973)	-	-	-
Fund Balances, Beginning of Period	1,041,980	-	-	-
Fund Balances, End of Period	<u>\$ 868,007</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

WIA Youth 05/06	MPRI	Community Corrections	Non-Major Governmental Funds	Total Governmental Funds
\$ 798,620	\$ 468,502	\$ 402,469	\$ 3,506,994	\$ 8,235,260
-	-	-	935	44,181
-	-	-	-	6,014
-	-	-	-	642,610
-	-	-	323,169	472,982
798,620	468,502	402,469	3,831,098	9,401,047
-	61,094	6,464	510,021	699,742
-	-	-	430,778	1,141,300
798,620	407,408	396,005	2,241,990	5,872,320
-	-	-	92,510	321,488
-	-	-	300,322	1,184,181
-	-	-	150,000	150,000
-	-	-	-	100,512
798,620	468,502	402,469	3,725,621	9,469,543
-	-	-	105,477	(68,496)
-	-	-	60,297	1,102,277
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 165,774</u>	<u>\$ 1,033,781</u>

Northwest Michigan Council of Governments

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2006

Net change in fund balances - total governmental funds \$ (68,496)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 12,683	
Depreciation expense	(136,949)	
Amortization of prepaid lease	<u>(120,456)</u>	
		(244,722)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Notes principal and loan retirement	89,350
-------------------------------------	--------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued compensated absences	<u>(545)</u>	<u>(545)</u>
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Change in net assets of governmental activities \$ (224,413)

See accompanying notes to financial statements.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

The following Notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

General Statement

The Northwest Michigan Council of Governments (the Council or NWMCOG) is a voluntary association of counties within the ten-county North West Michigan region. The Council was established in 1984 to assist local governments in planning for common needs, cooperating for mutual benefit, administering the Employment and Training programs, and coordinating for sound regional development. NWMCOG is a political subdivision that was organized pursuant to Public Act 7 and the State of Michigan under the Urban Cooperation Act of 1967. The Council's purpose is to provide employment and training programs, regional planning services, and other social programs for a ten-county region which includes Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee and Wexford Counties. These operations are reflected in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance in the General Fund. This fund is supplemented by Federal and State administered grant funds to permit the Council to undertake specific programs. These specific programs are reflected in the Special Revenue Funds in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Council relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The Council's basic financial statements include the accounts of all Council operations. The criteria for including organizations within the Council's reporting entity, as set forth in NCGA Statement No. 3, "Defining the Reporting Entity"; primarily include the degree of oversight responsibility maintained by the Executive Board. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Each county is entitled to appoint one member from the county board of commissioners, preferably the chairperson, to the Council's board of directors, which is NWMCOG's policy making and governing body. Member governments and various local agencies for which grants and fundings are issued by the Council have not been included within the Council's basic financial statements because none of the criteria of NCGA Statement No. 3 have been met.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide financial statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all interest and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

The fund financial statements present the Council's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Council are:

- a. The General Fund is the Council's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Work First TANF, WIA Adult 05/06, WIA Dislocated Worker 05/06, WIA Youth 05/06, MPRI Comprehensive Planning, and Community Corrections Funds are used to account for the operations of these programs, which provide employment, training and related services to eligible recipients. Revenues consist of Federal and State grants for eligible program expenditures.

Listed below are the acronyms used for the major and nonmajor funds.

SBDC	Small Business Development Center	WIA	Workforce Investment Act
MEDC	Michigan Economic Development Corporation	EDA	Economic Development Administration
TAA	Trade Act Assistance	TANF	Temporary Assistance for Needy Families
GF/GP	General Funds General Purpose	MRS	Michigan Rehabilitation Services
SBTDC	Small Business Technology Development Center		

C. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Council has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

E. Leave Policies

The liability for employees' accumulated leave has been estimated using the *terminal payment method*. It includes an amount to reflect payroll taxes and is recorded in the government-wide financial statements.

Vacation Leave At the conclusion of the first year of employment 10 days of vacation leave will be available. During years two through five, an employee accrues 10 days per year; years six through fifteen, an employee accrues 15 days per year; years sixteen through twenty, 20 days per year. For each year of employment after twenty, an employee accrues 25 days per year.

Employees may accumulate a maximum of 20 days in the first five years of employment; 25 days in years six through fifteen; 30 days in years sixteen through twenty; and 40 days after twenty years of employment. Part-time employees accrue vacation leave on a pro-rated basis.

Sick Leave Employees accrue 12 days per year to be used as sick leave and may accumulate up to 180 days. Employees terminating employment in good standing are paid for unused sick leave at one-half of their prevailing wage rate.

Funeral Leave Employees receive paid leave of 3 to 5 days depending on the employee's relationship to the deceased.

F. Cash and Investments

The Council pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Cash consists of checking accounts and a money market fund.

Investments include bonds and mutual funds held by Fifth Third Investment Management and Trust Services. All bonds and mutual funds are stated at fair value.

G. Capital Assets

Capital assets include equipment and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition is reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles	5 years
Equipment and computers	5 years

H. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

H. Long-Term Obligations (continued)

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

I. Budgets

The Council has developed a budget for the organization as a whole, which is approved by the Administrative Board. The budget is not prepared at the fund level, and as a result is not reported within these financial statements.

Note 2 - Cash and Investments

The Council utilizes various pooled cash accounts for approximately fifty-four funds. The Council's pooled cash accounts consist of a common checking account and a money market fund.

The Council's pooled cash accounts are utilized by the General Fund and Special Revenue Funds. Each fund's portion of these pooled accounts is included in the cash captions on the combined balance sheet.

In accordance with Michigan Compiled Laws, the Council is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Banker's acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

Note 2 - Cash and Investments (continued)

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental agency's are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of September 30, 2006, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 198,220	\$ 256,691
Savings	<u>4,631</u>	<u>4,631</u>
	<u>\$ 202,851</u>	<u>\$ 261,322</u>

Deposits of the Council are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Council. As of September 30, 2006, the Council accounts were insured by the FDIC for \$100,000. The balance of the accounts totaling \$161,322 was considered to be uninsured and uncollateralized. The Council maintains a petty cash imprest amount of \$2,600, which is included in cash on the balance sheet.

Due to significantly higher cash flow at certain periods during the year, the amount the Council held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Investments

As of September 30, 2006, the carrying amount and market values for the investment funds are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized pooled investment funds:		
Fifth Third Investment Management and Trust Services	\$ 996,502	\$ 996,502

The cash and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2006:

Cash and cash equivalents	\$ 205,451
Investments	<u>996,502</u>
	<u>\$ 1,201,953</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

Note 3 - Accounts Receivable

The following is a summary of the accounts receivable for the various grant programs as of September 30, 2006:

<u>Grant</u>	<u>Amount</u>
State of Michigan	
Community Correction	\$ 38,682
Procurement	36,861
MEDC	8,000
SBTDC	47,292
WIA Youth	12,708
Trade Act	4,532
Employment Services	3,287
DH WRC	2,433
GFGP/WTW	62,823
WIA Administration	34,461
WIA Dislocated Worker	17,637
EDA	4,828
Michigan Prisoner Re-entry Initiative	60,508
Work First Reed Act	5,984
RR Incumbent	716
Regional Skills Alliance Kalk	2,993
Food Assistance	451
Transportation to Work	36,737
Joint Planning	1,917
Work First TANF	62,141
RR Scholarship	9,675
Probation Services	<u>11,267</u>
	465,933
Traverse Bay Area Intermediate School District	59,538
Other	<u>36,035</u>
	<u>\$ 561,506</u>

Note 4 - Operating Leases

The Council has entered into leases for vehicles, office equipment and office space for Michigan Works! Service Centers. The leases are treated as operating leases since the Council will not own the assets after all lease payments have been remitted. At September 30, 2006, total lease payments remaining were \$807,423.

The following is a summary of the minimum future operating lease payments for the Council as of September 30, 2006

<u>Years Ending September 30,</u>	<u>Lease Contracts Payable</u>
2007	\$ 382,254
2008	265,681
2009	151,700
2010	7,536
2011	<u>252</u>
	<u>\$ 807,423</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

Note 4 - Operating Leases (continued)

Lease commitment for office space with Oleson Foundation; monthly rent payments of \$1,992 are required until February 29, 2008.	\$ 33,864
Lease commitment for office space with Petoskey Knight of Columbus; monthly rent payments of \$6,024 are required through October 31, 2009.	222,902
Lease commitment for office space with Oleson Foundation; monthly rent payments of \$10,308 are required until April 9, 2008.	185,549
Lease commitment for office space with AC Geenen Associated, Inc.; monthly rent payments of \$4,737 are required until April 30, 2009.	146,837
Lease commitment for office space with Wexford County; monthly rent payments of \$4,051 are required until June 30, 2007.	41,885
Lease commitment for office space with Justin Bradley Company; monthly rent payments of \$4,886 are required until June 30, 2009.	160,128
Lease commitment for an automobile with DaimlerChrysler; monthly lease payments of \$383 are required until November 28, 2009.	9,958
Lease commitment for a postage meter with Hasler Financial; monthly lease payments of \$126 are required until November 12, 2010.	<u>6,300</u>
	<u>\$ 807,423</u>

Note 5 - Long-Term Debt

The following is a summary of the long-term debt transactions for the Council for the year ended September 30, 2006:

	<u>Notes Payable</u>	<u>Accrued Expenses</u>	<u>Total</u>
Long-term debt at September 30, 2005	\$ 493,365	\$ 232,743	\$ 726,108
Net increase in accruals	-	545	545
Payments	<u>(89,349)</u>	<u>-</u>	<u>(89,349)</u>
Long-term debt at September 30, 2006	<u>\$ 404,016</u>	<u>\$ 233,288</u>	<u>\$ 637,304</u>

At September 30, 2006, the Council's long-term debt consisted of the following:

Notes Payable

The Old Kent Bank loan interest rate increased to 5.775% (70% of prime) from 4.725% in October 2005, at which time the monthly payment became \$8,454. Northwestern Michigan College is the guarantor of the bank loan. In the event of cancellation of the pre-paid lease (which is permitted with adequate notice), Northwestern Michigan College will assume the loan outstanding and refund to the Council a pro-rata portion of the non-borrowed funds the Council expended.	\$ 395,831
GMAC 0% interest auto loan.	<u>8,185</u>
	<u>\$ 404,016</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

Note 5 - Long-Term Debt (continued)

Accrued Expenses

Vacation pay owed to employees includes an allowance for Medicare expenses. \$ 149,620

Terminal leave pay for accumulated sick leave owed to employees. Includes an allowance for Medicare expenses. 83,668

\$ 233,288

The annual requirements to amortize all notes payable outstanding as of September 30, 2006, are as follows:

<u>Years Ending September 30,</u>	<u>Notes Payable</u>		<u>Auto Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 80,319	\$ 21,129	\$ 6,139	\$ -
2008	85,083	16,365	2,046	-
2009	90,128	11,320	-	-
2010	95,473	5,975	-	-
2011	<u>44,828</u>	<u>621</u>	<u>-</u>	<u>-</u>
	<u>\$ 395,831</u>	<u>\$ 55,410</u>	<u>\$ 8,185</u>	<u>\$ -0-</u>

The accrued expenses for terminal leave and vacation pay are not included in the above schedule due to the unknown nature and timing of the related employee payment claim requests.

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>Sept. 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Sept. 30, 2006</u>
Computers	\$ 54,456	\$ -	\$ -	\$ 54,456
Equipment	16,731	-	(7,089)	9,642
Vehicles	<u>674,573</u>	<u>12,683</u>	<u>(39,378)</u>	<u>647,878</u>
Totals at historical cost	745,760	12,683	(46,467)	711,976
Less accumulated depreciation for:				
Computers	(48,140)	(1,803)	-	(49,943)
Equipment	(8,054)	(3,213)	7,089	(4,178)
Vehicles	<u>(351,152)</u>	<u>(131,933)</u>	<u>39,378</u>	<u>(443,707)</u>
Totals for accumulated depreciation	<u>(407,346)</u>	<u>(136,949)</u>	<u>46,467</u>	<u>(497,828)</u>
Capital assets, net	<u>\$ 338,414</u>	<u>\$ (124,266)</u>	<u>\$ -0-</u>	<u>\$ 214,148</u>

Capital assets with title to equipment with an acquisition cost of \$5,000 or more is to be vested in the Michigan Works Agency (MWA). Vestment of title is contingent upon MWA's operation of applicable programs. Title of equipment will vest to Office of Workforce Development upon the MWA's termination of applicable programs

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

Note 7 - Prepaid Lease

The Council has entered into an agreement with Northwest Michigan College where by the Council leases facilities from Northwest Michigan College. The lease payments related to these facilities have been prepaid by the Council covering a 15 year time period that ends 2009.

Prepaid lease	\$ 1,806,825
Amortization	<u>(1,435,422)</u>
	<u>\$ 371,403</u>

The amount reflected as prepaid lease as of September 30, 2006, represents the unamortized balance of the prepaid lease. The lease is being amortized over its fifteen year life (straight-line) in accordance with GASB #13. As of September 30, 2006, 37 months of the 180-month lease remained.

Note 8 - Retirement Plan

The Council has a retirement plan administered by Nationwide Insurance Company. It is a defined contribution retirement plan which provides benefits for all employees with immediate and complete vesting. The Council contributes an amount equal to 15.4% of gross wages, which fulfills the Council's obligation under the plan. Therefore, there are no unfunded liabilities related to the plan. For the year ended September 30, 2006, the Council had a total and covered payroll of \$1,034,691. The Council made contributions to the retirement plan in the amount of \$158,943.

Note 9 - Deferred Compensation Plan

The Council offers its employees a deferred compensation plan. The plan, available to all Council employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Legislative change has been made to 457 plans which mandates that by no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, or annuity contract for the benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employers creditors nor can they be used by the public employer for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. A trust was created effective July 1, 1997 to receive and hold assets of the plan. The plans assets are no longer required to be reported by the Council because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

Note 10 - Fund Equity Designations

Designated fund balances are used by management to designate a portion of fund equity to indicate that it is not appropriate for expenditures due to it being set aside for a specific future use.

The following is the fund balance designation as of September 30, 2006:

General Fund	
Designated for Accumulated Vacation and Sick Leave	<u>\$ 233,288</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

Note 11 - Reliance on Funding Sources

The Council receives all of its support from various federal, state, and local grant revenues. A significant reduction in the level of this support, if it were to occur, would have an effect on the Council's programs and activities.

Note 12 - Contract Commitments

The Council has contracts with various subcontractors to provide services under EDA, Hazard Mitigation, Employment Services, Home Stretch, Adult Ed, and WIA programs that are not completed and closed out until after year-end. Commitments outstanding at September 30, 2006 totaled \$4,995,926. The EDA, Hazard Mitigation, Employment Services, Home Stretch, Adult Ed, and WIA programs had sufficient grant amounts available to cover the commitments.

Note 13 - Risk Management

The Council is exposed to various risks of loss including general and automobile liability, property damage, employee dishonesty, and workers' compensation for which the Council carries commercial insurance.

OTHER SUPPLEMENTARY INFORMATION

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2006

	WIA Administration 06/07	WIA Adult 06/07	WIA Adult DW 05/06	WIA DW 06/07
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	(34,461)	16,240	-	(5,112)
Accounts Receivable				
TBAISD	-	549	-	9,636
State of Michigan	34,461	-	-	-
Other	-	-	-	-
Total Assets	<u>\$ -0-</u>	<u>\$ 16,789</u>	<u>\$ -0-</u>	<u>\$ 4,524</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ -	\$ -
State of Michigan	-	16,789	-	4,524
Other	-	-	-	-
Total Liabilities	-0-	16,789	-0-	4,524
Fund Balances				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
Total Fund Balances	-0-	-0-	-0-	-0-
Total Liabilities and Fund Balances	<u>\$ -0-</u>	<u>\$ 16,789</u>	<u>\$ -0-</u>	<u>\$ 4,524</u>

WIA RR Incumbent 06/07	WIA RR Scholarship 06/07	Procurement	MEDC	Host Match	SBDC Match
\$ - (292)	\$ - -	\$ - (21,605)	\$ - (8,000)	\$ - 3,263	\$ - -
- 716 -	- 9,675 -	- 36,861 650	- 8,000 -	- - -	- - -
<u>\$ 424</u>	<u>\$ 9,675</u>	<u>\$ 15,906</u>	<u>\$ -0-</u>	<u>\$ 3,263</u>	<u>\$ -0-</u>
\$ - - 424	\$ 9,675 - -	\$ - - 15,906	\$ - - -	\$ - - -	\$ - - -
424	9,675	15,906	-0-	-0-	-0-
-	-	-	-	3,263	-
-0-	-0-	-0-	-0-	3,263	-0-
<u>\$ 424</u>	<u>\$ 9,675</u>	<u>\$ 15,906</u>	<u>\$ -0-</u>	<u>\$ 3,263</u>	<u>\$ -0-</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2006

	SBTDC FY06	SBDC FY05	WIA Youth 06/07	WIA State Wide Incumbent 05/06
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	(31,606)	520	(636)	-
Accounts Receivable				
TBAISD	-	-	-	-
State of Michigan	47,292	-	12,708	-
Other	-	-	-	-
Total Assets	<u>\$ 15,686</u>	<u>\$ 520</u>	<u>\$ 12,072</u>	<u>\$ -0-</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ 12,072	\$ -
State of Michigan	-	506	-	-
Other	15,686	14	-	-
Total Liabilities	15,686	520	12,072	-0-
Fund Balance				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
Total Fund Balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balance	<u>\$ 15,686</u>	<u>\$ 520</u>	<u>\$ 12,072</u>	<u>\$ -0-</u>

<u>Trade</u>	<u>Trade Job Search</u>	<u>Employment Services 06/07</u>	<u>Re- Employment 05/06</u>	<u>GF/GP Work First</u>
\$ - (22,644)	\$ - 8,482	\$ - (4,831)	\$ - 1,130	\$ - (37,203)
47,335	-	1,544	188	-
-	4,532	3,287	-	62,823
-	-	-	-	-
<u>\$ 24,691</u>	<u>\$ 13,014</u>	<u>\$ -0-</u>	<u>\$ 1,318</u>	<u>\$ 25,620</u>
\$ - 24,691 -	\$ 13,014 - -	\$ - - -	\$ - 1,318 -	\$ 25,620 - -
24,691	13,014	-0-	1,318	25,620
-	-	-	-	-
-0-	-0-	-0-	-0-	-0-
<u>\$ 24,691</u>	<u>\$ 13,014</u>	<u>\$ -0-</u>	<u>\$ 1,318</u>	<u>\$ 25,620</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2006

	TANF Support Services	WF Reed	WIA Statewide Displaced Homemaker 06/07	WIA Statewide Displaced Homemaker 05/06
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	-	(5,158)	31	-
Accounts Receivable				
TBAISD	-	-	-	-
State of Michigan	-	5,984	2,433	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ -0-</u>	<u>\$ 826</u>	<u>\$ 2,464</u>	<u>\$ -0-</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ 826	\$ -	\$ -
State of Michigan	-	-	-	-
Other	-	-	2,464	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	-0-	826	2,464	-0-
Fund Balance				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	-0-	-0-	-0-	-0-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ -0-</u>	<u>\$ 826</u>	<u>\$ 2,464</u>	<u>\$ -0-</u>

WIA Admin 05/06	WIA Statewide One Stop 06/07	WIA Statewide Incentive 05/06	WIA Statewide One Stop 05/06	Regional Skills Alliance Mott	WIA Regional Skills Alliance Kalkaska
\$ 600	\$ -	\$ -	\$ -	\$ -	\$ -
2,356	(16,973)	-	-	60	(2,760)
-	-	-	-	-	-
-	17,637	-	-	-	2,993
-	-	-	-	-	-
<u>\$ 2,956</u>	<u>\$ 664</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 60</u>	<u>\$ 233</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,956	-	-	-	-	-
-	664	-	-	-	233
2,956	664	-0-	-0-	-0-	233
-	-	-	-	60	-
-0-	-0-	-0-	-0-	60	-0-
<u>\$ 2,956</u>	<u>\$ 664</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 60</u>	<u>\$ 233</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2006

	WIA Statewide Cap Building 05/06	EDA 06/07	EDA 05/06	Food Stamps Support Services
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	47,040	(11,411)	2	220
Accounts Receivable				
TBAISD	-	-	-	285
State of Michigan	-	4,828	-	-
Other	-	7,601	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 47,040</u>	<u>\$ 1,018</u>	<u>\$ 2</u>	<u>\$ 505</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ -	\$ -
State of Michigan	47,040	-	-	505
Other	-	1,018	2	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	47,040	1,018	2	505
Fund Balance				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balance	<u>\$ 47,040</u>	<u>\$ 1,018</u>	<u>\$ 2</u>	<u>\$ 505</u>

<u>Food Assistance</u>	<u>Adult Education</u>	<u>Lake Mich Academy</u>	<u>LSHR Wayfinding</u>	<u>LUTS TC Talus</u>	<u>Transportation</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
608	-	420	9,500	(17,437)	(28,488)
-	-	-	-	-	-
451	-	-	-	-	36,737
-	-	-	-	23,391	-
<u>\$ 1,059</u>	<u>\$ -0-</u>	<u>\$ 420</u>	<u>\$ 9,500</u>	<u>\$ 5,954</u>	<u>\$ 8,249</u>
\$ 1,059	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	420	9,500	5,954	8,249
1,059	-0-	420	9,500	5,954	8,249
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ 1,059</u>	<u>\$ -0-</u>	<u>\$ 420</u>	<u>\$ 9,500</u>	<u>\$ 5,954</u>	<u>\$ 8,249</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2006

	Grand Traverse Bay Joint Planning	On Site Wastewater Task Force	Manistee Visions	Regional Planning
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	(1,915)	-	-	47,329
Accounts Receivable				
TBAISD	-	-	-	-
State of Michigan	1,917	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 47,329</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ -	\$ -
State of Michigan	-	-	-	-
Other	2	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2	-0-	-0-	-0-
Fund Balance				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	47,329
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>47,329</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 2</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 47,329</u>

MPRI Temp	Probation RS	Rotary Team Work	Kal-Tec Rotary
\$ -	\$ -	\$ 1,600	\$ 200
2,096	15,286	15,629	55,822
-	-	-	-
-	11,267	-	-
-	-	-	-
<u>\$ 2,096</u>	<u>\$ 26,553</u>	<u>\$ 17,229</u>	<u>\$ 56,022</u>
\$ -	\$ -	\$ -	\$ -
2,096	-	-	-
-	26,553	723	10
2,096	26,553	723	10
-	-	16,506	56,012
-0-	-0-	16,506	56,012
<u>\$ 2,096</u>	<u>\$ 26,553</u>	<u>\$ 17,229</u>	<u>\$ 56,022</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2006

	Disability Loan	Loan Fund	Quality Life
<u>Assets</u>			
Cash			
Petty Cash	\$ -	\$ -	\$ -
Cash and Cash Equivalents	13,414	9,266	3,951
Accounts Receivable			
TBAISD	-	-	-
State of Michigan	-	-	-
Other	-	-	-
Total Assets	<u>\$ 13,414</u>	<u>\$ 9,266</u>	<u>\$ 3,951</u>
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts Payable			
TBAISD	\$ -	\$ -	\$ -
State of Michigan	-	-	-
Other	-	-	-
Total Liabilities	-0-	-0-	-0-
Fund Balance			
Unreserved			
Undesignated, Reported in:			
Special Revenue Funds	13,414	9,266	3,951
Total Fund Balance	<u>13,414</u>	<u>9,266</u>	<u>3,951</u>
Total Liabilities and Fund Balance	<u>\$ 13,414</u>	<u>\$ 9,266</u>	<u>\$ 3,951</u>

United Way Impact	Employment Services 05/06	Total
\$ -	\$ -	\$ 2,400
15,973	-	18,106
-	-	59,537
-	-	304,602
-	-	31,642
<u>\$ 15,973</u>	<u>\$ -0-</u>	<u>\$ 416,287</u>
\$ -	\$ -	\$ 62,266
-	-	100,425
-	-	87,822
<u>-0-</u>	<u>-0-</u>	<u>250,513</u>
<u>15,973</u>	<u>-</u>	<u>165,774</u>
<u>15,973</u>	<u>-0-</u>	<u>165,774</u>
<u>\$ 15,973</u>	<u>\$ -0-</u>	<u>\$ 416,287</u>

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2006

	WIA Administration 06/07	WIA Adult 06/07	WIA Adult DW 05/06	WIA DW 06/07
<u>Revenues</u>				
Grants	\$ 97,861	\$ 248,211	\$ 11,738	\$ 328,376
Interest Earned	-	-	-	-
Other	-	-	-	-
Total Revenues	97,861	248,211	11,738	328,376
<u>Expenditures</u>				
Administration	97,861	-	-	-
Training	-	124,634	2,219	91,258
Services	-	-	-	-
Intensive	-	33,989	683	53,152
Core Services	-	89,588	8,836	183,966
Procurement	-	-	-	-
Total Expenditures	97,861	248,211	11,738	328,376
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	\$ -0-	\$ -0-	\$ -0-	\$ -0-

WIA RR Incumbent 06/07	WIA RR Scholarship 06/07	Procurement	MEDC	Host Match	SBDC Match
\$ 2,716	\$ 9,675	\$ 150,000	\$ 40,000	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	7,202	26,233
2,716	9,675	150,000	40,000	7,202	26,233
292	-	-	-	-	-
2,424	9,675	-	-	-	-
-	-	-	40,000	3,939	26,233
-	-	-	-	-	-
-	-	-	-	-	-
-	-	150,000	-	-	-
2,716	9,675	150,000	40,000	3,939	26,233
-0-	-0-	-0-	-0-	3,263	-0-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 3,263	\$ -0-

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Fiscal Year Ended September 30, 2006

	SBTDC FY06	SBDC FY05	WIA Youth 06/07	WIA State Wide Incumbent 05/06
<u>Revenues</u>				
Grants	\$ 76,875	\$ 22,030	\$ 299,308	\$ 87,285
Interest Earned	-	-	-	-
Other	8,248	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	85,123	22,030	299,308	87,285
<u>Expenditures</u>				
Administration	-	-	-	6,956
Training	-	-	-	-
Services	85,123	22,030	299,308	80,329
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	85,123	22,030	299,308	87,285
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Trade</u>	<u>Trade Job Search</u>	<u>Employment Services 06/07</u>	<u>Re- Employment 05/06</u>	<u>GF/GP Work First</u>
\$ 225,339	\$ 13,014	\$ 112,287	\$ 40,899	\$ 309,767
-	-	-	-	-
-	-	-	-	-
225,339	13,014	112,287	40,899	309,767
24,771	-	-	-	33,496
200,568	-	-	-	-
-	13,014	112,287	40,899	276,271
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
225,339	13,014	112,287	40,899	309,767
-0-	-0-	-0-	-0-	-0-
-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Fiscal Year Ended September 30, 2006

	TANF Support Services	WF Reed	WIA Statewide Displaced Homemaker 06/07	WIA Statewide Displaced Homemaker 05/06
<u>Revenues</u>				
Grants	\$ 10,000	\$ 30,984	\$ 5,271	\$ 17,347
Interest Earned	-	-	-	-
Other	-	-	-	-
Total Revenues	10,000	30,984	5,271	17,347
<u>Expenditures</u>				
Administration	-	2,840	-	-
Training	-	-	-	-
Services	10,000	28,144	-	-
Intensive	-	-	-	4,686
Core Services	-	-	5,271	12,661
Procurement	-	-	-	-
Total Expenditures	10,000	30,984	5,271	17,347
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	\$ -0-	\$ -0-	\$ -0-	\$ -0-

WIA Admin 05/06	WIA Statewide One Stop 06/07	WIA Statewide Incentive 05/06	WIA Statewide One Stop 05/06	Regional Skills Alliance Mott	WIA Regional Skills Alliance Kalkaska
\$ 316,081	\$ 34,337	\$ 41,474	\$ 108,619	\$ -	\$ 57,993
-	-	-	-	-	-
-	-	-	-	18,730	-
316,081	34,337	41,474	108,619	18,730	57,993
316,081	-	-	-	-	-
-	-	-	-	-	-
-	34,337	41,474	108,619	18,670	57,993
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
316,081	34,337	41,474	108,619	18,670	57,993
-0-	-0-	-0-	-0-	60	-0-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 60	\$ -0-

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Fiscal Year Ended September 30, 2006

	WIA Statewide Cap Building 05/06	EDA 06/07	EDA 05/06	Food Stamps Support Services
<u>Revenues</u>				
Grants	\$ 72,000	\$ 17,735	\$ 59,891	\$ 515
Interest Earned	-	-	-	-
Other	-	7,601	19,934	-
Total Revenues	72,000	25,336	79,825	515
<u>Expenditures</u>				
Administration	-	-	-	-
Training	-	-	-	-
Services	72,000	25,336	79,825	515
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
Total Expenditures	72,000	25,336	79,825	515
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	\$ -0-	\$ -0-	\$ -0-	\$ -0-

<u>Food Assistance</u>	<u>Adult Education</u>	<u>Lake Mich Academy</u>	<u>LSHR Wayfinding</u>	<u>LUTS TC Talus</u>	<u>Transportation</u>
\$ 110,131	\$ 148,000	\$ -	\$ 32,004	\$ -	\$ 186,609
-	-	-	-	-	-
-	-	4,805	-	23,391	-
110,131	148,000	4,805	32,004	23,391	186,609
20,324	7,400	-	-	-	-
-	-	-	-	-	-
89,807	140,600	4,805	32,004	23,391	186,609
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
110,131	148,000	4,805	32,004	23,391	186,609
-	-	-	-	-	-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Fiscal Year Ended September 30, 2006

	Grand Traverse Bay Joint Planning	On Site Wastewater Task Force	Manistee Visions	Regional Planning
<u>Revenues</u>				
Grants	\$ 9,211	\$ 1,583	\$ -	\$ -
Interest Earned	-	-	-	-
Other	5,000	248	32,150	28,927
Total Revenues	14,211	1,831	32,150	28,927
<u>Expenditures</u>				
Administration	-	-	-	-
Training	-	-	-	-
Services	14,211	1,831	32,150	14,866
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
Total Expenditures	14,211	1,831	32,150	14,866
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	14,061
Fund Balances, Beginning of Period	-	-	-	33,268
Fund Balances, End of Period	\$ -0-	\$ -0-	\$ -0-	\$ 47,329

MPRI Temp	Probation RS	Rotary Team Work	Kal-Tec Rotary
\$ 14,811	\$ 157,017	\$ -	\$ -
-	-	-	-
-	-	36,582	74,307
14,811	157,017	36,582	74,307
-	-	-	-
-	-	-	-
14,811	157,017	20,076	18,295
-	-	-	-
-	-	-	-
-	-	-	-
14,811	157,017	20,076	18,295
-0-	-0-	16,506	56,012
-	-	-	-
\$ -0-	\$ -0-	\$ 16,506	\$ 56,012

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Fiscal Year Ended September 30, 2006

	<u>Disability Loan</u>	<u>Loan Fund</u>	<u>Quality Life</u>
<u>Revenues</u>			
Grants	\$ -	\$ -	\$ -
Interest Earned	551	384	-
Other	<u>4,811</u>	<u>-</u>	<u>-</u>
Total Revenues	5,362	384	-0-
<u>Expenditures</u>			
Administration	-	-	-
Training	-	-	-
Services	2,997	3,147	-
Intensive	-	-	-
Core Services	-	-	-
Procurement	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,997</u>	<u>3,147</u>	<u>-0-</u>
Excess of Revenues Over (Under) Expenditures	2,365	(2,763)	-0-
Fund Balances, Beginning of Period	<u>11,049</u>	<u>12,029</u>	<u>3,951</u>
Fund Balances, End of Period	<u><u>\$ 13,414</u></u>	<u><u>\$ 9,266</u></u>	<u><u>\$ 3,951</u></u>

United Way Impact	Employment Services 05/06	Total
\$ -	\$ 423,672	\$ 3,506,994
-	-	935
25,000	-	323,169
25,000	423,672	3,831,098
-	-	510,021
-	-	430,778
9,027	423,672	2,241,990
-	-	92,510
-	-	300,322
-	-	150,000
9,027	423,672	3,725,621
15,973	-0-	105,477
-	-	60,297
<u>\$ 15,973</u>	<u>\$ -0-</u>	<u>\$ 165,774</u>

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2006

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF LABOR		
Passed through the Michigan Department of Labor and Economic Growth		
Workforce Investment Act	17.258 ^{(1) (3)}	
Adult		
PY05		\$ 714,841
PY06		248,211
Administration		
PY05		94,824
PY06		30,337
Incumbent Worker		23,235
Displaced Homemaker		
PY05		4,618
PY06		1,354
One-Stop		
PY05		28,914
PY06		8,818
Incentive		11,040
Regional Skills Alliance		14,893
Capacity Building		<u>19,166</u>
		1,200,251
Workforce Investment Act	17.259 ^{(1) (3)}	
Youth		
PY05		798,620
PY06		299,308
Administration		
PY05		101,146
PY06		31,316
Incumbent Worker		25,697
Displaced Homemaker		
PY05		5,107
PY06		1,470
One-Stop		
PY05		31,977
PY06		9,577
Incentive		12,210
Regional Skills Alliance		16,174
Capacity Building		<u>21,197</u>
		1,353,799
Workforce Investment Act	17.260 ^{(1) (3)}	
Dislocated Worker		
PY05		1,108,518
PY06		328,376
Administration		
PY05		120,111
PY06		36,208
Incumbent Worker		38,353
RR Incumbent		<u>2,716</u>

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2006

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF LABOR - CONTINUED		
Passed through the Michigan Department of Labor and Economic Growth - continued		
Workforce Investment Act - continued	17.260 ^{(1) (3)}	
RR Scholarships		\$ 9,675
Adult Dislocated Worker		11,738
Displaced Homemaker		
PY05		7,622
PY06		2,447
One-Stop		
PY05		47,728
PY06		15,942
Incentive		18,224
Regional Skills Alliance		26,926
Capacity Building		<u>31,637</u>
		1,806,221
Employment Services	17.207	
Employment Services		
PY05		423,672
PY06		112,287
Reemployment Services		
PY05		<u>40,899</u>
		576,858
Unemployment Insurance - Reed Act	17.225	
Work First FY06		30,984
TAA/NAFTA	17.245 ⁽¹⁾	
Trade Act		225,339
Job Search		<u>13,014</u>
		<u>238,353</u>
TOTAL U.S. DEPARTMENT OF LABOR		5,206,466
U.S. DEPARTMENT OF EDUCATION		
Passed through Michigan Department of Education		
Adult Education and Family Literacy	84.002A	
Regular		148,000
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through the U.S. Small Business Administration and Grand Valley State University	59.037	
SBDC Regional Center		
FY05		22,030
FY06		<u>76,875</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		98,905

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2006

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through the Family Independence Agency and the Michigan Department of Labor and Economic Growth		
Temporary Assistance for Needy Families	93.558	
Work First FY06		\$ 1,235,316
Supportive Services		<u>10,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		1,245,316
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the Michigan Department of Labor and Economic Growth	10.561 ⁽¹⁾	
Food Stamps Employment and Training FY06		110,131
Food Stamps Supportive Services FY06		<u>515</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		110,646
U.S. DEPARTMENT OF DEFENSE		
Passed through the Defense Logistics Agency	12.002	
Procurement - Technical Assistance FY06		150,000
U.S. DEPARTMENT OF COMMERCE		
Passed through the Economic Development Administration	11.302	
Economic Development - Support for Planning Organizations		
District Continuation Grant 05/06		59,891
District Continuation Grant 06/07		<u>17,735</u>
		77,626
Passed through the National Oceanic and Atmospheric Administration	11.419	
Coastal Zone Management		
Grand Traverse Bay JPO FY05/06		6,762
Lake Michigan Project FY06/07		<u>2,449</u>
		<u>9,211</u>
TOTAL U.S. DEPARTMENT OF COMMERCE		86,837
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through the Michigan Department of Transportation	20.205	
Highway Planning and Construction		
FY06 - M-119		33,000
FY06 - M-22		30,886
FY06 - Trails		<u>8,000</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>71,886</u>
TOTAL FEDERAL AWARDS ⁽²⁾		<u>\$ 7,118,056</u>

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2006

(1) Program is considered a "major" program.

(2) The following reconciles the Federal expenditures to the grant revenues reported in the fund financial statements:

Federal expenditures per schedule	\$ 7,118,056
Non-Federal grant revenues reported in the fund financial statements	<u>1,117,204</u>
	<u>\$ 8,235,260</u>

(3) Denotes programs required to be clustered by the United States Department of Labor.

Northwest Michigan Council of Governments

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2006

NOTE A: BASIS OF PRESENTATION

The Northwest Michigan Council of Governments (NWMCOG), as a governmental organization reports on the modified accrual basis of accounting for financial statement presentation in accordance with accounting principles generally accepted in the United States of America.

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of NWMCOG, and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Northwest Michigan Council of Governments
Traverse City, Michigan

We have audited the financial statements of the governmental activities and major funds of Northwest Michigan Council of Governments as of and for the year ended September 30, 2006, which collectively comprise Northwest Michigan Council of Governments basic financial statements and have issued our report thereon dated February 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Michigan Council of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest Michigan Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Directors and management of Northwest Michigan Council of Governments, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 1, 2007

East Lansing ▪ Rochester Hills ▪ St. Johns

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Northwest Michigan Council of Governments
Traverse City, Michigan

Compliance

We have audited the compliance of Northwest Michigan Council of Governments with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major Federal programs for the year ended September 30, 2006. Northwest Michigan Council of Governments' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Northwest Michigan Council of Governments' management. Our responsibility is to express an opinion on Northwest Michigan Council of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Northwest Michigan Council of Governments' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest Michigan Council of Governments' compliance with those requirements.

In our opinion, Northwest Michigan Council of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2006.

Internal Control Over Compliance

The management of Northwest Michigan Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Northwest Michigan Council of Governments' internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of Northwest Michigan Council of Governments, the pass-through grantors, and the Federal awarding agencies and is not intended to be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 1, 2007

Northwest Michigan Council of Governments

SCHEDULE OF FINDINGS

Year Ended September 30, 2006

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the combined financial statements.

An unqualified opinion was issued on compliance for major programs. We disclosed no reportable conditions or instances of noncompliance related to the major programs tested.

The major programs tested to cover a minimum 25 percent of the total Federal expenditures were the Workforce Investment Act (WIA) Program Cluster (CFDA 17.258-17.260), the Trade Act (TAA) (CFDA 17.245), and the Food Stamp Employment and Training (CFDA 10.561) programs. Total Federal expenditures for the year ended September 30, 2006 for the major programs tested were \$4,709,270, which is approximately 66 percent of the total Federal expenditures. Based on the criteria of OMB Circular A-133, Northwest Michigan Council of Governments did not qualify as a low-risk auditee for the year September 30, 2006.

The Consortium had three (3) Type A programs. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls over the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2006

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls over the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control over Compliance in Accordance with OMB Circular A-133.

FINDING #2005-1 - CASH MANAGEMENT

Program: WIA Cluster (CFDA 17.258 - 17.260)

Condition: During our testing of a cash management procedures for sample time periods, we noted three (3) instances where the cumulative cash draws exceeded the cash disbursements at that point in time by amounts that appeared to be in excess of immediate needs (i.e., WIA Adult program excess was \$159,922; WIA Dislocated Worker program excess was \$110,162; WIA Administration excess was \$17,293).

Criteria: Federal administrative requirements related to cash management require that subgrantees limit draw down of grant funds to meet "immediate needs", which sometimes is interpreted as being expended within 3 days of receipt of the funds.

Effect: Because of the drawdown of excess funds, the Council does not appear to be in compliance with cash management standards in relation to this program. The Council also has earned "program income" on excess cash in excess of amounts that are allowed to be maintained which must be remitted to the applicable funding sources.

Recommendation: We recommend the Council review drawdown and related cash management procedures to assure that all components in determining drawdown amounts are included when calculating amounts. The Council should also internally monitor the cash drawdown requests to assure that excess funds are not on hand.

Response:

The COG is 100% grant funded. Unlike other local units of government, the COG has no "General Fund" which it can use for cash flow. If cash is not received within the expected time frame, the only COG option is to hold payroll and/or accounts payable checks until it receives sufficient cash to cover them.

It should be noted that the COG has a history of encountering problems with DLEG timely processing of COG cash requests. Because of the incidences the COG has experienced over many years when cash was not promptly forthcoming, it understandably built into its cash request procedures a "cushion" so it could meet payroll and accounts payable liabilities promptly.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED

Year Ended September 30, 2006

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control over Compliance in Accordance with OMB Circular A-133 - continued

FINDING #2005-1 - CASH MANAGEMENT - continued

Response - continued:

The COG has implemented the following corrective action:

- The COG is now using Electronic Funds Transfer (EFT) to receive cash from the State of Michigan. This has cut the "turn around" time between submitting a cash request and receiving the cash by approximately three days.
- Prior to the audit and monitoring, the COG ordered cash from DLEG monthly. The COG is now ordering cash bi-weekly to correspond to its established schedule for accounts payable check runs.
- The COG is working on the development of a computerized report that would calculate the average daily cash balance by fund so that cash balances can be effectively monitored by COG staff. The average daily cash balance by fund report is not currently provided by its accounting software; the only available cash balances report is point-in-time which doesn't present the data in a useful format for this purpose. Discussions regarding the feasibility of programming such a report have begun with the accounting software provider. Whether the COG obtains it, however, will likely depend on cost.

Current Audit Status:

We have reviewed implementation of the corrective action response and have performed testing of this area during our current year Single Audit and have determined the corrective action to be sufficient to resolve this finding.